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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S SEVENTEENTH REQUEST FOR INFORMATION**

Question Staff No. 17-13:

Please refer to the rebuttal testimony of Michael A. Baird at pages 37 line 16 through page 39 line 9.

- a. Please confirm that the Texas jurisdictional differences referenced by Mr. Baird existed as of January 1, 2019.
- b. Please provide the January 1, 2019 balances of each Texas jurisdictional difference referenced by Mr. Baird.
- c. Please confirm that SWEPCO did not include the January 1, 2019 balance of the Texas jurisdictional differences in the denominator of the calculation of its effective ad valorem tax rate.
- d. Please confirm that the January 1, 2019 balances of the other investment accounts to which the effective ad valorem tax rate is applied are included in the determination of the .00998582 effective ad valorem tax rate Mr. Baird recommends should be used.
- e. Does Mr. Baird agree that the January 1, 2019 balances of the Texas jurisdictional differences should be included in the determination of the effective ad valorem tax rate in order to properly synchronize the final amount of ad valorem taxes with the final level of investment? If Mr. Baird does not agree, please provide a detailed explanation and justification for why the Texas jurisdictional differences balances should be excluded from the determination of the ad valorem rate but then have that rate applied to those differences to determine ad valorem tax.
- f. What is the effective ad valorem tax rate if the January 1, 2019 balances of the Texas jurisdictional differences are included in the determination of the rate?

Response Staff No. 17-13:

- a. Confirmed.
- b. Texas AFUDC Net Plant \$56,925,902. Texas Depreciation Rate Net Plant \$189,282,510.
- c. Confirmed because this is not appropriate. See response to part e.
- d. Confirmed as this rate is Staff Witness Ruth Stark's Ad Valorem Tax Adjustment workpaper rate.
- e. Mr. Baird does not agree that the jurisdictional adjustment should be used in the determination of the effective ad valorem tax rate. Doing so negates the effect of the jurisdictional differences which is incorrect. Please see Staff 17-13 Attachment 1 for an example of this. In this example, Jurisdiction T has a higher authorized AFUDC rate than

Jurisdiction A, thus resulting in a higher plant in service value. As such, Jurisdiction T should pay higher ad valorem taxes. If the jurisdictional adjustments are utilized in the determination of the effective ad valorem tax rate (shown in Staff 17-13 Method Column) both jurisdictions pay the same ad valorem taxes (lines 14 and 21). This is incorrect. If the jurisdictional adjustments are not utilized in the determination of the effective ad valorem tax rate (shown in SWEPCO method column), jurisdiction T pays more ad valorem taxes than jurisdiction A (lines 14 and 21). This is correct because jurisdiction T authorized a higher AFUDC rate than jurisdiction A and as such should pay higher ad valorem taxes.

If the January 1, 2019 balances of the Texas jurisdictional differences is included, the effective ad valorem tax rate is .00961262. Please note that this is incorrect as noted in part e above.

Staff 17-13 Attachment 1 will be provided electronically on the PUC Interchange

Prepared By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Staff 17:

Attachment 1 (part e)

Jurisdictional Ad Valorem Tax Adjustment Example

Assumptions:

Line No.	Description	Jurisdiction T	Jurisdiction A
1	Investment	10,000,000	10,000,000
2	AFUDC Rate	12.00%	10.00%
3	AFUDC Books	1,200,000	1,000,000
4	Jurisdiction %	50.00%	50.00%
5	Book Investment	11,100,000	11,100,000
6	Jurisdictional Adjustment	100,000	(100,000)
7	Book Ad Valorem Taxes	111,000	111,000

	Description	SWEP Method	Staff 17-13 Method
Jurisdiction T:			
8	Ad Valorem Taxes	111,000	111,000
9	Investment	11,100,000	11,200,000
10	Ad Valorem Tax Rate	1.00%	0.99%
11	Rate Case Investment	11,200,000	11,200,000
12	Ad Valorem Tax Rate	1.00%	0.99%
13	Jurisdiction T %	50.00%	50.00%
14	Rate Case Ad Valorem Taxes	56,000	55,500
Jurisdiction A:			
15	Ad Valorem Taxes	111,000	111,000
16	Investment	11,100,000	11,000,000
17	Ad Valorem Tax Rate	1.00%	1.01%
18	Rate Case Investment	11,000,000	11,000,000
19	Ad Valorem Tax Rate	1.00%	1.01%
20	Jurisdiction T %	50.00%	50.00%
21	Rate Case Ad Valorem Taxes	55,000	55,500